

Richard Moriarty
Chief Executive
Legal Services Board
One Kemble Street
London WC2D 4AN

Dear Richard

Are regulatory restrictions in practising rules for in-house lawyers justified?

I am writing in response to the Legal Services Board's recently published discussion paper on regulatory restrictions for in-house lawyers.

As you indicate in the discussion paper, we have already acknowledged the need to review our approach to the regulation of in-house lawyers in our 2014/2015 Business Plan. In view of our plans for review, we have not attempted to answer the specific questions set out in the discussion paper since they relate to our existing approach and some of the answers will become clearer during the course of our own review.

We are undertaking a fundamental review of our approach to the regulation of solicitors in non authorised entities which will start from first principles and will not replicate or seek to simply amend our existing requirements. Instead, we aim to undertake a fundamental review which will simplify our regulatory approach to ensure that:

- There are no unnecessary restrictions on the provision of legal services by solicitors (in non authorised entities) to the public
- Members of the public receiving legal services from solicitors (in non authorised entities) receive the necessary protection
- Members of the public receiving legal services from solicitors (in non authorised entities) understand the regulatory protections that exist
- There is an appropriate level of protection for consumers and rule of law for employers (of in house solicitors).

Our new approach will:

- Focus on outcomes that provide consumer protection (rather than detailed rules)
- Focus on the individual solicitor and the nature of the services they provide rather than the type of unauthorised entity in which they work
- Make full use of the range of regulatory tools.

Our new approach will be based on an analysis of the risks posed by solicitors delivering certain types of services and the development of regulatory controls appropriate to those risks. We hope that by adopting a fundamentally different approach to our regulation of solicitors in non authorised entities we can:

- Encourage growth and innovation in the legal services market

- Create a level playing for all solicitors providing similar services regardless of the type of entity within which they work
- Promote competition across the range of entities within the market
- Provide clarity for consumers about the regulatory protections that exist
- Protect the public and consumers.

Work is already underway on this review and we intend to consult on the detail of the new approach in autumn 2015. This is slightly later than our published date of April 2014 when we had planned to issue a high level discussion paper followed by a more detailed proposal later in the year. We have since decided simply to issue a full consultation paper in autumn 2015 which will set out our detailed proposals and enable us to deliver reform to a faster timetable. Subject to the outcome of an operational impact assessment, we propose to implement the new regulatory approach from April 2016.

I trust that this provides you with reassurance that we are aware that there are issues with our current approach to the regulation of in-house lawyers and that we have clear plans in place to address those issues. Colleagues in my team are already in contact with staff at the Legal Services Board on this issue and we will, of course, continue to keep you up to date with our progress but if you would like to meet me to discuss our plans in more detail then please let me know.

Yours sincerely

Crispin Passmore

Executive Director of Policy